

## Message Text

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ACTION COME-00

INFO OCT-01 EA-12 ISO-00 EB-08 TRSE-00 CIAE-00 INR-07  
NSAE-00 EPA-04 /032 W  
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R 300811Z JAN 78  
FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC 4787

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PASS USDOC

E.O. 11652: N/A  
TAGS: BEXP, SENV, JA  
SUBJECT: JAPANESE ANTI-POLLUTION EQUIPMENT INVESTMENT FACES  
DECLINE

1. SUMMARY. JAPAN'S TOTAL ANNUAL INVESTMENT IN CONTROLLING AIR POLLUTION AND WATER POLLUTION, THE TWO PROBLEMS WHICH GENERATE THE GREATER PART OF HER ANTI-POLLUTION EQUIPMENT INVESTMENT, IS EXPECTED TO DECLINE BY MORE THAN 50 PER CENT FROM FISCAL YEAR 1976 TO FISCAL YEAR 1978. EQUIPMENT INVESTMENT TO CONTROL OTHER KINDS OF POLLUTION ALSO IS EXPECTED TO DECLINE, BUT AT SLOWER PACE. RECOVERY IN ANTI-POLLUTION EQUIPMENT INVESTMENT WILL DEPEND LARGELY ON GENERAL ECONOMIC OUTLOOK IN JAPAN, WHICH HAS REMAINED CLOUDED SINCE THE 1973 OIL CRISIS. END SUMMARY.

2. ACCORDING TO A SURVEY RECENTLY PUBLISHED BY THE MINISTR OF INTERNATIONAL TRADE AND INDUSTRY (MITI), PROSPECTS FOR ANTI-POLLUTION EQUIPMENT INVESTMENT DURING FISCAL YEAR 1977 (APRIL 1977 TO MARCH 1978) AND 1978, ARE UNFAVORABLE. THE SURVEY IS BASED ON ESTIMATES GATHERED INDIVIDUALLY FROM 1,420 FIRMS AS OF SEPTEMBER 15, 1977. THE YEN-DOLLAR CONVERSION RATES USED IN THIS CABLE ARE 297 TO 1.00 IN FY 1975 AND 1976 AND 250 TO 1.00 IN FY 1977 AND  
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1978; PERCENT CHANGE CALCULATIONS HAVE BEEN BASED ON YEN FIGURES.

3. TOTAL ANTI-POLLUTION EQUIPMENT INVESTMENT IN FY 1977 IS EXPECTED TO REACH 473.9 BILLION YEN (\$1,896 MILLION), A DECLINE OF 40.1 PER CENT FROM THE PRECEDING FISCAL YEAR, AND THAT IN FY 1978 IS ESTIMATED TO

DECREASE 11.9 PER CENT TO 410.1 BILLION YEN (\$1,640 MILLION).

4. TWELVE AMONG SEVENTEEN INDUSTRY SECTORS SURVEYED ARE EXPECTED TO SHOW DECLINES IN FY 1977. INDUSTRY SECTORS WHICH ANTICIPATE STRIKING DECLINES IN VALUE INCLUDE STEEL, THERMAL POWER, OIL REFINING AND CHEMICALS OTHER THAN PETROCHEMICALS. INDUSTRY SECTORS WHICH ARE EXPECTED TO SHOW A MODERATE INCREASE INCLUDE NON-FERROUS METALS, MACHINERY, AND POWER GENERATION OTHER THAN THERMAL POWER. INDUSTRY SECTORS WHICH EXPECT TO CONTINUE REDUCING THEIR ANTI-POLLUTION EQUIPMENT INVESTMENT THROUGH FY 1978 INCLUDE THERMAL POWER, PETROCHEMICALS, AND PAPER AND PULP, WHILE THOSE WHICH EXPECT TO INCREASE MODERATELY THEIR ANTI-POLLUTION EQUIPMENT INVESTMENT INCLUDE OIL REFINING AND CITY GAS SYSTEMS.

5. BY TYPE OF ANTI-POLLUTION EQUIPMENT, INVESTMENT FOR AIR POLLUTION CONTROL IS EXPECTED TO DECLINE 47 PER CENT TO \$1,130 MILLION IN FY 1977; AND IT IS ESTIMATED TO DECREASE AGAIN IN FY 1978, BY 20 PER CENT TO \$908 MILLION. IT IS EXPECTED THAT THE RATIO OF AIR POLLUTION CONTROL INVESTMENT TO TOTAL ANTI-POLLUTION EQUIPMENT INVESTMENT WILL CONTINUE TO DROP, FROM 67.7 PER CENT IN FY 1976 TO 55.4 PER CENT IN FY 1978. THE INVESTMENT FOR WATER UNCLASSIFIED

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POLLUTION CONTROL IS EXPECTED TO DECREASE 43 PER CENT TO \$303 MILLION IN FY 1977 AND 11 PER CENT TO \$268 MILLION IN FY 1978. WATER POLLUTION CONTROL INVESTMENT IS EXPECTED TO REMAIN AT 16-17 PER CENT OF TOTAL POLLUTION CONTROL EQUIPMENT INVESTMENT DURING THE PERIOD FY 1976-78. DESPITE A CONTINUING DECLINE IN YEN VALUE, INVESTMENT FOR NOISE AND VIBRATION ABATEMENT IS EXPECTED TO INCREASE IN CONVERTED DOLLAR VALUE FROM \$101 MILLION IN FY 1976 TO \$107 MILLION IN FY 1978, WHILE THAT FOR INDUSTRIAL WASTE DISPOSAL IS EXPECTED TO INCREASE IN YEN VALUE BY 6 PER CENT TO \$145 MILLION IN FY 1977 AND THEN TO DECLINE 19 PER CENT TO \$118 MILLION IN FY 1978. INVESTMENT FOR OTHER RELATED POLLUTION CONTROL FACILITIES IS EXPECTED TO DECLINE 10 PER CENT IN FY 1977 AND THEN TO INCREASE 19 PER CENT TO \$239 MILLION FY 1978.

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6. INDUSTRY SECTORS WHICH ACCOUNT FOR A MAJOR PART OF TOTAL INDUSTRIAL EQUIPMENT INVESTMENT FOR POLLUTION CONTROL INCLUDE THERMAL POWER (28.3-44.0 PER CENT IN FY 1976-78); NON-FERROUS METALS (15.4-20.2 PERCENT); MINING OTHER THAN COAL (12.7-36.0 PER CENT); AND PETRO-CHEMICALS (10.2-14.3 PER CENT). AMONG THE INDUSTRY SECTORS WHICH SPEND THE LARGEST AMOUNTS FOR AIR POLLUTION CONTROL INVSTMENT ARE THERMAL POWER (\$683 MILLION IN FY 1976, \$584 MILLION IN FY 1977, \$510 MILLION IN FY 1978); STEEL (\$673 MILLION, \$238 MILLION, \$166 MILLION); OIL REFINING (\$119 MILLION, \$38 MILLION, \$141 MILLION); CHEMICALS OTHER THAN PERTROCHEMICALS (\$70 MILLION; \$49 MILLION; \$36 MILLION); AND MACHINERY (\$30 MILLION; \$50 MILLION; \$25 MILLION). AMONG THOSE WHICH SPEND THE LARGEST AMOUNTS FOR WATER POLLUTION CONTROL ARE STEEL (\$137 MILLION IN FY 1976, \$55 MILLION IN FY 1977, AND \$80 MILLION IN FY 1978); THERMAL POWER (\$39 MILLION, \$28 MILLION, \$39 MILLION); MACHINERY (\$58 MILLION, \$52 MILLIN, \$32 MILLION); AND CHEMICALS OTHER THAN PETRO-CHEMICAL (\$66 MILLION, \$29 MILLION, \$24 MILLION).

7. JAPAN'S TOTAL INVESTMENT FOR ANTI-POLLUTION EQUIP-MENT CONTINUES TO DECLINE RAPIDLY AFRER REACHNG A RECORD HIGH OF YEN946.5 BILLION (\$3,247 MILLION) IN FY 1975. HOWEVER, THE CAPITAL STOCK OF POLLUTION CONTROL EQUIPMENT HAS BEEN STEADILY INCREASING. MITI ATTRIBUTES THE SHARP DECLINES IN RECENT YEARS

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MAINLY TO TWO FACTORS. (1) TOTAL INDUSTRIAL EQUIPMENT INVESTMENT IN SUCH BASIC MATERIAL PRODUCING INDUSTRIES AS STEEL AND CHEMICALS HAS BEEN STAGNANT. ACCORDINGLY, INVESTMENT FOR ANTIPOLLUTION EQUIPMENT CONTINUES TO

DECLINE. (2) IT APPEARS THAT ANTI-POLLUTION EQUIPMENT HAS BEEN INSTALLED IN HEARLY ALL EXISTING PRODUCTION FACILITIES. IN PARTICULAR, SUCH AIR POLLUTION CONTROL EQUIPMENT AS FLUE-GAS DESULFURIZATION AND FUEL OIL DESULFURIZATION EQUIPMENT SEEM TO HAVE BEEN INSTALLED ALMOST UNIVERSALLY IN JAPAN. AS A RESULT, THE CONCENTRATION OF SULFUR OXIDES IN INDUSTRIAL AREAS RECENTLY HAS FALLEN.

8. MITI DOES NOT ITSELF USE THE SURVEY RESULTS TO FORECAST FUTURE ANTI-POLLUTION EQUIPMENT INVESTMENT. IT DOES, HOWEVER, ASK SURVEY PARTICIPANTS IN THEIR RESPONSES TO TAKE ACCOUNT OF FACTORS WHICH MAY ENCOURAGE POLLUTION CONTROL EQUIPMENT INVESTMENT. FUTURE OVERALL INDUSTRIAL EQUIPMENT INVESTMENT, ESPECIALLY THAT ON NEW INDUSTRIAL SITES; REPLACEMENT OF EXISTING POLLUTION CONTROL FACILITIES; AND FUTURE POSSIBLE CHANGES IN ENVIRONMENTAL STANDARDS OF NITRATE OXIDES, WATER QUALITY, AND WASTE DISPOSAL ARE AMONG SUCH FACTORS.  
MANSFIELD

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## Message Attributes

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